

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 5,995,256 shares of common stock, outstanding at October 31, 2018.

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FINANCIAL INFORMATION

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Statements made in this Form 10-Q, other than those concerning historical information, should be considered forward-looking statements pursuant to the safe harbor provisions of the Securities Exchange Act of 1934 and the Private Securities Litigation Act of 1995. These forward-looking statements involve risks and uncertainties and are based on the beliefs and assumptions of management and on the information available to management at the time that this Form 10-Q was prepared. These statements can be identified by the use of words like "expect," "anticipate," "estimate," and "believe," variations of these words and other similar expressions. Readers should not place undue reliance on forward-looking statements as a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Factors that could cause actual results to differ include, but are not limited to, (1)

competition in the markets served by the registrant and its subsidiaries, (2) changes in the interest rate environment, (3) general national, regional or local economic conditions may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and the possible impairment of collectibility of loans, (4) legislative or regulatory changes, including changes in accounting standards, (5) significant changes in the federal and state legal and regulatory environments and tax laws, (6) the impact of changes in monetary and fiscal policies, laws, rules and regulations and (7) other risks and factors identified in other filings with the Securities and Exchange Commission, including but not limited to, those described in the registrant's Annual Report on Form 10-K for the year ended December 31, 2017.

PART I.
FINANCIAL INFORMATION

Item 1.

Financial Statements

PEOPLES BANCORP OF NORTH CAROLINA, INC.

Consolidated Balance Sheets

September 30, 2018 and December 31, 2017

(Dollars in thousands)

	2018	2017
Assets	(Unaudited)	(Audited)
Cash and due from banks, including reserve requirements		
of \$10,581 at 09/30/18 and \$7,472 at 12/31/17	\$44,743	53,186
Interest-bearing deposits	12,298	4,118
Cash and cash equivalents	57,041	57,304
Investment securities available for sale	205,966	229,321
Other investments	4,394	1,830
Total securities	210,360	231,151
Mortgage loans held for sale	1,740	857
Loans	786,724	759,764
Less allowance for loan losses	(6,295)	(6,366)
Net loans	780,429	753,398
Premises and equipment, net	19,453	19,911
Cash surrender value of life insurance	15,839	15,552
Other real estate	-	118
Accrued interest receivable and other assets	15,430	13,875
Total assets	\$1,100,292	1,092,166
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	\$306,834	285,406
NOW, MMDA & savings	478,898	498,445
Time, \$250,000 or more	16,777	18,756
Other time	90,950	104,345
Total deposits	893,459	906,952

Securities sold under agreements to repurchase	55,766	37,757
Junior subordinated debentures	20,619	20,619
Accrued interest payable and other liabilities	10,729	10,863
Total liabilities	980,573	976,191

Commitments

Shareholders' equity:

Series A preferred stock, \$1,000 stated value; authorized 5,000,000 shares; no shares issued and outstanding	-	-
Common stock, no par value; authorized 20,000,000 shares; issued and outstanding 5,995,256 shares	62,096	62,096
Retained earnings	57,882	50,286
Accumulated other comprehensive income (loss)	(259)	3,593
Total shareholders' equity	119,719	115,975
Total liabilities and shareholders' equity	\$1,100,292	1,092,166

See accompanying Notes to Consolidated Financial Statements.

PEOPLES BANCORP OF NORTH CAROLINA, INC.

Consolidated Statements of Earnings

Three and Nine Months Ended September 30, 2018 and 2017

(Dollars in thousands, except per share amounts)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income:				
Interest and fees on loans	\$9,907	8,966	28,362	25,935
Interest on due from banks	86	60	255	138
Interest on investment securities:				
U.S. Government sponsored enterprises	591	578	1,721	1,795
State and political subdivisions	974	1,047	2,950	3,198
Other	50	47	138	157
Total interest income	11,608	10,698	33,426	31,223
Interest expense:				
NOW, MMDA & savings deposits	189	156	551	431
Time deposits	127	112	342	360
FHLB borrowings	-	211	-	604
Junior subordinated debentures	209	152	578	432
Other	32	19	66	43
Total interest expense	557	650	1,537	1,870
Net interest income	11,051	10,048	31,889	29,353
Provision for (reduction of provision for) loan losses	110	(218)	372	(405)
Net interest income after provision for loan losses	10,941	10,266	31,517	29,758
Non-interest income:				
Service charges	1,083	1,140	3,163	3,340
Other service charges and fees	173	145	528	447
Gain on sale of securities	-	-	50	-
Mortgage banking income	216	280	672	945

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Insurance and brokerage commissions	206	221	591	568
Appraisal management fee income	799	855	2,442	2,447
Gain/(loss) on sale and write-down of other real estate	14	43	17	(240)
Miscellaneous	1,424	1,475	4,204	4,023
Total non-interest income	3,915	4,159	11,667	11,530
Non-interest expense:				
Salaries and employee benefits	5,519	4,933	15,866	15,038
Occupancy	1,761	1,669	5,367	4,981
Professional fees	314	303	1,067	788
Advertising	207	247	708	859
Debit card expense				